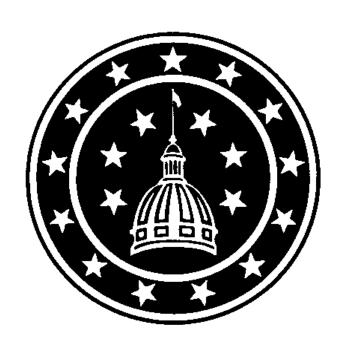
STATUS REPORT OF THE PROPERTY TAX REPLACEMENT STUDY COMMISSION



Indiana Legislative Services Agency 200 W. Washington St., Suite 301 Indianapolis, Indiana 46204-2789

July, 2004

Property Tax Replacement Study Commission

Membership Roster

Representatives

Representative John Frenz, Co-Chair

Vincennes

Senators

Senator Luke Kenley, Co-Chair

Noblesville

Reprepresentative Eric Turner

Marion

Senator Lindel Hume

Princeton

Lay Members

Sandra Bickel

Indianapolis

Michael Hudson Indianapolis

Jason Shelley Indianapolis

Joe Breedlove

Lebanon

Mike Karickhoff

Don Strietelmeier

Kokomo Hope

Daniel Clark

Patrick Kiely **Indianapolis** Indianapolis John Taylor **Indianapolis**

Thomas Taylor

Amy Corsaro Indianapolis **Joseph Loftus** Carmel

Indianapolis

Deborah Driskell

Fishers

Joseph Minnis W. Terre Haute **Mayor Ernie Wiggins**

Warsaw

Lester J. Fox South Bend **Daniel Philpott Indianapolis**

Louis Zickler Greenwood

Phil Hoy Evansville Bill Roach **Brownsburg**

Legislative Services Agency Staff

Diane Powers, Fiscal Analyst Jim Landers, Fiscal Analyst **Dagney Faulk, Fiscal Analyst Chuck Mayfield, Fiscal Analyst** John Parkey, Fiscal Analyst

Bob Bond, Attorney George Angelone, Attorney John Rowings, Attorney

July, 2004

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Commission can be accessed from the General Assembly Homepage at http://www.state.in.us/legislative/.

STATUS REPORT

Property Tax Replacement Study Commission

I. STATUTORY DIRECTIVE

The Indiana General Assembly enacted legislation (P.L. 64-2004) directing the Commission to study the following proposals:

- (1) Eliminating approximately fifty percent (50%) of net property tax levies;
- (2) Eliminating approximately seventy-five percent (75%) of net property tax levies;
- (3) Eliminating approximately one hundred percent (100%) of net property tax levies.

The legislation also required that the Commission to identify revenue sources capable of replacing property taxes and providing sufficient revenue to maintain essential government services.

II. INTRODUCTION

The Commission has met three times during the 2004 interim session on April 27th, May 17th, and June 18th. The minutes from these three meetings are attached to this report. At these meetings the Commission has received reports and testimony regarding:

- (1) The status of reassessment.
- (2) Compilation of parcel level data and tax shift analysis by Legislative Services Agency.
- (3) Legal issues regarding the elimination of property taxes.
- (4) The Indiana Fiscal Policy Institute's ongoing Property Tax Equalization Study.
- (5) The impact on sales and income tax rates for various levels of replacement of property tax levies.

The Commission also established 5 working groups that have met and are developing information relating to specific tax and administrative cost issues. The working groups and a general description their work are as follows:

- (1) Property Tax Administrative Issues estimating the cost of reassessment and the continuing cost of the assessment system.
- (2) Local Government Services investigating models (i.e. interlocal cooperative agreements) that might be employed to reduce cost of government services.
- (3) Long Term Debt Issues investigating the potential impact of changing debt service funding from property tax to an alternative revenue source.
- (4) Other Tax Systems investigating tax structures and tax relief mechanisms used by other states, in particular, surrounding states.
- (5) Property Tax Levies and Controls investigate the different sources of replacement revenue and implications of using these sources to replace property taxes.

Meeting minutes for the Commission can be accessed from the General Assembly Homepage at http://www.state.in.us/legislative/.